

DIXIE DEER SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF WASHINGTON COUNTY)
FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005

DIXIE DEER SPECIAL SERVICE DISTRICT

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Board of Directors
Dixie Deer Special Service District
Central, Utah

We have compiled the accompanying statement of net assets - proprietary fund of Dixie Deer Special Service District, a component unit of Washington County, as of December 31, 2005 and the related statements of revenue, expenses and changes in fund net assets and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Hafen, Buckner, Everett & Graff, PC
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June 26, 2006

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MANAGEMENT'S DISCUSSION & ANALYSIS

This section of Dixie Deer Special Service District's (the District's) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2005. Please read this discussion and analysis in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net assets at the close of the fiscal year totaled \$488,354. This amount is comprised of \$311,810 in capital assets net of related debt and \$176,544 in other net assets.
- The District's net assets increased by \$19,407.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States, promulgated by the Governmental Accounting Standards Board ("GASB"). The District reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the notes to the financial statements for a summary of the District's significant accounting policies.

Balance Sheet

Assets	2005	2004
Current assets	\$ 43,168	\$ 98,571
Restricted assets	89,441	69,122
Capital assets	411,810	368,412
Other assets	44,550	44,550
Total assets	<u>\$ 588,969</u>	<u>\$ 580,655</u>

Liabilities	2005	2004
Current liabilities	\$ 9,615	\$ 11,709
Long-term obligations, less current maturities	<u>91,000</u>	<u>100,000</u>
Total liabilities	<u>100,615</u>	<u>111,709</u>
Net Assets		
Invested in capital assets, net of related debt	311,810	259,412
Restricted	89,441	69,122
Unrestricted	<u>87,103</u>	<u>140,412</u>
Total net assets	<u>488,354</u>	<u>468,946</u>
Total liabilities and net assets	<u>\$ 588,969</u>	<u>\$ 580,655</u>

- The increase of approximately \$20,320 in restricted assets at 2005 as compared to 2004 is due to impact fees and bond fund, reserve fund and capital facilities replacement fund funding requirements related to the water revenue bonds outstanding.
- The decrease of approximately \$55,400 in current assets at 2005 as compared to 2004 is due to increases in funding requirements related to the water revenue bonds as noted above.

Changes in Net Assets

	2005	2004
Operating revenues	\$ 129,242	\$ 116,867
Operating expenses	<u>(109,660)</u>	<u>(105,294)</u>
Operating income	19,582	11,573
Non-operating revenues, net	2,028	2,637
Non-operating expenses - interest	<u>(2,202)</u>	<u>(2,363)</u>
Net income (loss)	(174)	274
Total net assets:		
Beginning of year	<u>468,946</u>	<u>457,099</u>
End of year	<u>\$ 488,354</u>	<u>\$ 468,946</u>

Summary of Revenue

	2005	2004
Operating:		
Water Sales	\$ 96,187	\$ 98,635
Water Hookups	5,200	2,800
Impact Fees	27,300	14,700
Miscellaneous	555	732
Total operating	<u>129,242</u>	<u>116,867</u>
Non-operating:		
Interest	<u>2,028</u>	<u>2,637</u>
Total non-operating	<u>2,028</u>	<u>2,637</u>
Total revenues	<u>\$ 131,270</u>	<u>\$ 119,504</u>

- The increase of approximately \$12,375 in operating revenues during 2005 as compared to 2004 is due to area growth and demand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During 2005, the District expended approximately \$76,000 on water system improvements. See notes to financial statements for more detailed information.

During 2004, the District expended approximately \$24,300 on water system improvements.

Long-term debt

During 2005, the District retired \$9,000 of long-term debt. No new debt was issued during the year.

During 2004, the District retired \$8,000 of long-term debt. No new debt was issued during the year.

Additional information on the outstanding debt of the District is located in the footnotes to the financial statements.

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide users with a general overview of the District's finances and demonstrate accountability for the sources and uses of District funding. Questions concerning information contained in this report or requests for additional financial information should be addressed to the District Treasurer, Dixie Deer Special Service District, 316 N. Lodge Road, Central, Utah, 84722.

DIXIE DEER SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF WASHINGTON COUNTY)
STATEMENT OF NET ASSETS - PROPRIETARY FUND
DECEMBER 31, 2005

ASSETS

Current Assets

Cash (Note 2)	\$ 13,879
Accounts Receivable (Note 4)	23,567
Inventory (Note 1)	5,722
Total Current Assets	<u>43,168</u>

Noncurrent Assets:

Cash (Note 2)	89,441
Capital Assets: (Note 3)	
Land	9,566
Water System	733,759
Vehicles	10,265
Office Equipment	-
Software	3,107
Equipment	27,082
Less: Accumulated Depreciation	(371,969)
Water Stock/Rights (Note 5)	44,550
Total Noncurrent Assets	<u>545,801</u>
Total Assets	<u>\$ 588,969</u>

LIABILITIES

Current Liabilities

Accounts Payable	\$ 1,703
Accrued Liabilities	(1,088)
Water Revenue Bonds Payable	9,000
Total Current Liabilities	<u>9,615</u>

Noncurrent Liabilities:

Water Revenue Bonds Payable (Note 6)	<u>91,000</u>
Total Noncurrent Liabilities	<u>91,000</u>
Total Liabilities	<u>100,615</u>

Net Assets

Invested in capital assets, net of related debt	311,810
Restricted (Note 7)	89,441
Unrestricted	87,103
Total Net Assets	<u>488,354</u>
Total Liabilities & Net Assets	<u>\$ 588,969</u>

See Accompanying Notes and Accountants' Report

DIXIE DEER SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF WASHINGTON COUNTY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

Operating Revenues:	
Water Sales	\$ 96,187
Water Hookups	5,200
Impact Fees	27,300
Miscellaneous	555
Total Operating Revenues	<u>129,242</u>
Operating Expenses:	
Water Supply:	
Materials	404
Repairs & Maintenance	6,987
Water Testing	1,372
Pumping - Electric - Gas	4,348
Total	<u>13,112</u>
General & Administrative:	
Admin Asst/Clerk Salary	10,147
Water Master	30,415
Board Compensation	5,827
Payroll Taxes & Benefits	1,774
Total	<u>48,163</u>
Equipment Maintenance & Repair	708
Depreciation	32,011
Insurance	2,086
Professional Fees	975
Office Expenses	8,871
Miscellaneous	3,733
Total	<u>48,385</u>
Total Operating Expenses	<u>109,660</u>
Operating Income/(Loss)	19,582
Non Operating Revenues (Expenses):	
Interest Income	2,028
Interest Expense	(2,202)
Total Non Operating Revenues (Expenses):	<u>(174)</u>
Income (Loss) Before Contributions	19,408
Contributions	-
Change in Net Assets	<u>19,408</u>
Total Net Assets - Beginning	468,946
Total Net Assets - Ending	<u><u>\$ 488,354</u></u>

See Accompanying Notes and Accountants' Report

DIXIE DEER SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF WASHINGTON COUNTY)
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash Flows From Operating Activities:	
Receipts from customers	\$ 129,635
Payments to suppliers	(29,876)
Payments to employees	(50,277)
Other receipts (payments)	-
Net Cash Provided By Operating Activities	<u>49,482</u>
Cash Flows From Capital & Related Financing Activities:	
Principal Paid on Capital Debt	(9,000)
Interest Paid on Capital Debt	(2,202)
Purchases of Capital Assets	(75,409)
Net Cash (Used) By Capital & Related Financing Activities	<u>(86,611)</u>
Cash Flows From Investing Activities:	
Interest and Dividends	<u>2,028</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(35,101)
Cash at Beginning of Year	<u>138,421</u>
Cash at End of Year	<u><u>\$ 103,320</u></u>
Reconciliation of Operating Income (Loss) to Net	
Cash Provided (Used) By Operating Activities:	
Operating Income (Loss)	\$ 19,582
Adjustments to reconcile operating income to net	
cash provided (used) by operating activities:	
Depreciation Expense	32,011
Change in assets and liabilities	
Receivables, net	394
Inventories	(411)
Prepaid Assets	-
Accounts payable	20
Accrued Liabilities	(2,114)
Net Cash Provided By Operating Activities	<u><u>\$ 49,482</u></u>

See Accompanying Notes and Accountants' Report

DIXIE DEER SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF WASHINGTON COUNTY)
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash Flows From Operating Activities:	
Receipts from customers	\$ 129,635
Payments to suppliers	(29,876)
Payments to employees	(50,277)
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Interest and Dividends	<u>2,028</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(35,101)
Cash at Beginning of Year	<u>138,421</u>
Cash at End of Year	<u><u>\$ 103,320</u></u>
Reconciliation of Operating Income (Loss) to Net	
Cash Provided (Used) By Operating Activities:	
Operating Income (Loss)	\$ 51,944
Adjustments to reconcile operating income to net	
cash provided (used) by operating activities:	
Depreciation Expense	32,011
Change in assets and liabilities	
Receivables, net	393
Inventories	(411)
Prepaid Assets	-
Accounts payable	20
Accrued Liabilities	(2,114)
Net Cash Provided By Operating Activities	<u><u>\$ 81,843</u></u>

See Accompanying Notes and Accountants' Report

DIXIE DEER SPECIAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies

The financial statements of Dixie Deer Special Service District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant policies:

- A. Financial Reporting Model - The District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The significant changes to these statements are as follows:
 - 1. Presentation of management's discussion and analysis.
 - 2. The term "retained earnings" is replaced by "net assets."
 - 3. The statement of cash flows is presented on the direct method.
- B. Reporting Entity - The District is a political subdivision of the State of Utah located in Washington County. The District was organized in 1979 for the purpose of providing water, sewer services and fire protection to the Dixie Deer Estates. The governing body of the District consists of an administrative control board of five members elected by the property owners within the District. The District is a component unit of Washington County.
- C. Fund Accounting - The accounts of governmental entities are arranged on the basis of funds and groups of accounts, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types and account groups are used by the District.

GOVERNMENTAL FUNDS

The District has no governmental funds.

DIXIE DEER SPECIAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes. The District operates as an enterprise type fund.

- D. Basis of Accounting - Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The District uses the accrual basis of accounting. Revenues are recognized when earned and expenses when incurred.

- E. Depreciation - The District's capital assets are accounted for in an enterprise fund and are to be replaced from resources of the fund and are, therefore, depreciated using the straight line method over the estimated useful lives of the assets. The estimated useful lives of the capital assets are as follows:

Water System & Improvements	20 - 40 Years
Standby Pump	10 Years
Office Equipment	7 Years
Other Equipment	7 -10 Years
Computer Software	3 Years
Vehicle	10 Years

- F. Vacation and Sick Leave - Accumulated unpaid vacation and sick leave amounts are not accrued as the amounts are not significant to the financial statements.
- G. Cash and Cash Equivalents - Cash and cash equivalents includes cash in bank and temporary cash investments.

DIXIE DEER SPECIAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies (Continued)

- H. Inventory - Inventory consists of materials that are used for repair, maintenance and construction of the water system. Inventory is stated at cost which is not in excess of market.
- I. Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.
- J. Risk Management - The District maintains insurance for general liability, property and auto through the Utah Local Government's Insurance Trust and worker's compensation through the Workers Compensation Fund of Utah.
- K. Accounting Policies - The pronouncements of the Financial Accounting Standards Board (FASB) are followed for proprietary type funds which is the only fund type of the District.
- L. Estimates - Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

Note 2 - Cash

A summary of the cash of the District at December 31, 2005, is as follows:

Cash on Hand	\$ 100
Checking Accounts	21,680
Savings Accounts and Certificates of Deposit	<u>81,540</u>
Total Cash	<u>\$ 103,320</u>

Cash in bank held in reserve in compliance with requirements of the water revenue bonds, see Note 6, and unexpended impact fees are considered to be restricted. Cash considered to be restricted totaled \$89,441 as of December 31, 2005.

The policy of the District is to follow the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, chapter 7) in handling its depositing of district funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government

DIXIE DEER SPECIAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2 - Cash (Continued)

and which has been certified by the commissioner of the Act and adhering to the rules of the Utah Money Management Council.

The District's carrying amount of bank deposits at December 31, 2005, was \$103,220 and the bank balances amounted to \$115,983, all of which was covered by federal depository insurance.

Note 3 - Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on date donated.

Capital assets of the District as of December 31, 2005 consisted of the following:

	Balance 12-31-04	Additions	Retirements	Balance 12-31-05
Land	\$ 9,566	\$ —	\$ —	\$ 9,566
Water System	707,669	48,327	22,237	733,759
Office Equipment	4,661	—	4,661	—
Software	5,003	—	1,896	3,107
Equipment	6,125	27,082	6,125	27,082
Vehicles	10,265	—	—	10,265
Total	743,289	75,409	(34,919)	783,779
Accumulated Depreciation	(374,877)	(32,011)	34,919	(371,969)
Net	<u>\$ 368,412</u>	<u>\$ 43,398</u>	<u>\$ —</u>	<u>\$ 411,810</u>

Note 4 - Accounts Receivable

Accounts receivable consists of charges to customers for water usage. Due to the District's ability to collect and the small balance of the account, no provision has been made for uncollectible accounts.

Note 5 - Water Stock/Rights

Water Stock/Rights as of December 31, 2005 consisted of the following:

Water rights for 81 lots in Unit 2 of the Dixie Deer Estates Subdivision. These water rights are for culinary water. The rights are equivalent to .45 acre feet of water per lot or a total of 36.45 acre feet. The water rights are valued at historical cost.

DIXIE DEER SPECIAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6 - Water Revenue Bonds Payable

During 1997 the District issued Water Revenue Bonds in the amount of \$181,000. The bond proceeds are to be used for improvements to the culinary water system. The bonds are payable annually on January 1 of each year beginning on January 1, 1999 in installments of \$7,000 to 11,000, with interest at a rate of 2.02% per annum. The outstanding balance at December 31, 2005 was \$100,000.

The bond requires the District to establish and make deposits to the following funds:

Bond Fund - deposit monthly an amount equal to 1/12 of the amount of the principal and interest due on the bonds on the next succeeding payment date to be used for the payment of principal and interest due on the bonds. As of December 31, 2005, the balance in the bond fund was \$11,545.

Reserve Fund - deposit monthly, until fully funded, an amount equal to 1/120 of the maximum annual installment of principal and interest on the bond to be used to make principal and interest payments if there are insufficient funds in the bond fund and for emergency repairs to the water system to insure the continued operation thereof. As of December 31, 2005, the balance in the reserve fund was \$9,236.

Capital Facilities Replacement Fund - deposit annually an amount equal to 5% of the total operating budget for the system for each fiscal year in which the bond is outstanding to be used for additions, improvements and extensions to the system. As of December 31, 2005, the balance in the capital facilities replacement fund was \$41,360.

The annual debt service requirements to retire the water revenue bonds as of December 31, 2005 are as follows:

<u>Maturity Date</u> <u>January 1st</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>	<u>Total</u> <u>Payment</u>
2007	\$ 9,000	\$ 2,178	\$ 11,178
2008	9,000	1,838	10,838
2009	9,000	1,656	10,656
2010	9,000	1,475	10,475
2011	9,000	1,293	10,293
2012	10,000	1,111	11,111
2013	10,000	909	10,909
2014	10,000	707	10,707
2015	10,000	505	10,505

DIXIE DEER SPECIAL SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6 - Water Revenue Bonds Payable (Continued)

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>January 1st</u>	<u>Amount</u>	<u>Amount</u>	<u>Payment</u>
2016	10,000	303	10,303
2017	<u>5,000</u>	<u>101</u>	<u>5,101</u>
Total	<u>\$100,000</u>	<u>\$ 12,076</u>	<u>\$112,076</u>

The following is a summary of the changes in long-term debt for the year ended December 31, 2005:

Bonds Payable - December 31, 2004	\$ 109,000
Principal payment on Bonds	<u>9,000</u>
Bonds Payable - December 31, 2005	<u>\$ 100,000</u>

Note 7 - Restricted Net Assets

An amount equal to the total of the bond fund, reserve fund and capital facilities replacement fund as described in Note 6 has been restricted. Unexpended impact fees have also been restricted.

Restricted net assets at December 31, 2005 consisted of the following:

Bond Fund	\$ 11,545
Reserve Fund	9,236
Capital Facilities Replacement Fund	41,360
Impact Fees	<u>27,300</u>
Total	<u>\$ 89,441</u>